



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

MICHAEL P. FLANAGAN
SUPERINTENDENT OF
PUBLIC INSTRUCTION

December 29, 2011

The Honorable Jase Bolger, Speaker
Michigan House of Representatives
N-997 Anderson House Office Building
124 North Capitol Avenue
P.O. Box 30014
Lansing, MI 48909-7514

The Honorable Randy Richardville, Majority Leader
Michigan Senate
S-106 Capitol
100 North Capitol Avenue
P.O. Box 30036
Lansing, MI 48909-7536

Dear Mr. Bolger and Mr. Richardville:

Sections 32b(6), 32d(12), and 32j(7) of the State School Aid Act for fiscal year 2012 contain similar language, combined below:

Beginning with 2012-2013, it is the intent of the legislature to transfer funding for [32b: great start collaboratives] [32d: great start readiness programs] [32j: great parents, great start programs] under this section into an early childhood block grant program, along with funding for [great start collaboratives under section 32b, great start readiness programs under section 32d and funding for great parents, great start programs under section 32j]. The early childhood block grant program will allocate funds to intermediate districts and consortia of intermediate districts to act as fiduciaries and provide administration of regional early childhood programs in conjunction with their regional great start collaborative to improve program quality, evaluation, and efficiency for early childhood programs. The department shall work with intermediate districts, districts, great start collaboratives, and the early childhood investment corporation to establish a revised funding formula, application process, program criteria, and data reporting requirements for 2012-2013. Not later than January 1, 2012, the department shall report to the legislature its recommendations for the revisions required under this subsection.

The Department convened an ad-hoc advisory committee of intermediate and local school district representatives, representatives of Great Start Collaboratives, Early Childhood Investment Corporation representatives, and current Great Start Readiness Program competitive grantees on December 9, 2011 to provide advice for recommendations to the Legislature. The ad-hoc advisory committee came to consensus on the recommendations, which were then refined by the Department.

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The ad-hoc committee recommended, and the Department supports, a multi-year phase-in process for the block grant. The three funded programs are quite diverse, and a true block grant with a single funding formula is inadvisable at this time. The committee recommends the following phases:

Phase 1: FY 2012, intermediate school districts (ISD) are the sole fiscal agents for both formula and competitive Great Start Readiness Program grantees.

Phase 2: FY 2013, Great Start Readiness Program formula grants block granted to ISDs.

Phase 3: Great Start Readiness Program competitive grants included in ISD block grants.

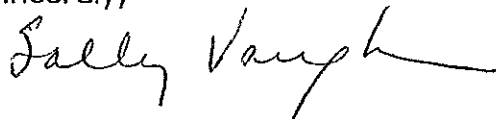
Phase 4: Great Parents, Great Start grants included in ISD block grants with proportionate funding.

Phase 5: Great Start Collaboratives grants included in ISD block grants.

Specific recommendations for legislation for 2012-2013, including a revised funding formula, application process, program criteria, and data reporting requirements are enclosed.

Please contact Lisa Hansknecht, Director of the Office of State and Federal Relations, at (517) 335-5310, or hansknechtl@michigan.gov, if further clarification is needed.

Sincerely,

A handwritten signature in black ink that reads "Sally Vaughn". The signature is fluid and cursive, with a long horizontal stroke at the end.

Sally Vaughn, Ph.D.
Deputy Superintendent/Chief Academic Officer

Enclosure

cc: Michigan Legislature

Michigan Department of Education
Office of Great Start/Early Childhood Education and Family Services
State School Aid Act Section 32: Early Childhood Block Grant
Summary of Recommendations

1. Great Start Readiness Program Formula Grants (GSRP Formula), Sections 32d(2)(A) and 37-40 (FY 12, \$95,400,000 @\$3,400/slot; \$106,628,000 @\$3,800/slot)
 - Phase 1, FY 12: ISDs served as fiscal agents for local programs or managed ISD-wide programs (block grants). Funding was allocated based on rolled-up individual district data. Consortia of ISDs could work collaboratively by designating a single fiscal agent.
 - Proposed Phase 2, FY 13: Modify the allocation process in Section 39 to reflect allocations to entire ISDs rather than just rolling up some of the constituent districts and PSAs.
 - Modify the Community Needs and Resources Assessment (CNRA) so that it is inclusive of all districts and PSAs in an ISD. Encourage smaller ISDs to form consortia for GSRP. The consortia cannot split a GSC; at a minimum, those ISD areas that are already involved in a single joint GSC must be in consortium for GSRP services. A consortium may, however, serve multiple GSCs; the intention moving forward will be to consolidate GSCs and consolidate GSRP blocks so that they are the same. (Practically, we now have 54 GSCs. We could have no more than 54 GSRP formula grantees; hopefully, we will have less, and ECIC will work with the GSCs to consolidate in the same configurations to set us up for a true block grant in the future.) The result of the CNRA would be a "request" for a certain number of GSRP "slots."
 - The allocation process would be similar to the individual district process, but inclusive of all districts and PSAs.
 - ISDs/consortia would be ranked by free lunch counts (grades 1-5) across the ISD.
 - A "formula" would be calculated based on all public school students in the ISD's/consortium's service area: $\frac{1}{2}$ the percentage of students eligible for free lunch x average K enrollment the previous two years.
 - ISD's/consortia would be rank ordered by free lunch percentage.
 - A "first round" number, which would be the lesser of the "formula" or "request" would be assigned to each ISD/consortium, and from the top, funding allowed by the first round number x per slot allocation.
 - After all ISDs/consortia were allocated "first round" funds, a "hold harmless" number would be calculated utilizing the sum of formula slots filled by that ISD in FY 12. ISDs would be eligible for additional funds in this calculation if their "first round" funding was less than the "hold harmless" number of slots. "Hold harmless" funds would be distributed in rank order.
 - If additional funds were still available, they would be offered to the ISDs/consortia in rank order that requested more slots than their formula number or hold harmless number allowed until funding runs out.
 - This process eliminates the 65 percent/315 rule for large districts, and the supplemental child care provision.
 - ISDs would indicate in their CNRAs how they will select local sites in their areas to provide GSRP. All funds would be used for high quality preschool classroom part-day and school-day programs utilizing the GSRP criteria and rules. (Eliminates funding for home-based,

alternate-day and Parent Involvement and Education (PIE) options.) ISDs could serve children directly or subcontract with other providers. Both district programs and for-profit and non-profit agencies could apply to ISDs to serve as GSRP sites. All sites would need to be licensed in good standing and have a GSQ rating of 3 or above the first year, and agree to all staffing and other criteria as included in the legislation and the GSRP Implementation Manual.

- ISDs would be accountable for quality and compliance with all program, data reporting, statewide evaluation and fiscal requirements. A ratio of early childhood specialists (ECS) to classrooms with GSRP-funded children would be established; ECSs could be employed directly or contracted by ISDs.
- Each ISD/consortium would also be responsible for a joint recruitment and enrollment process in collaboration with and endorsed by the respective GSC(s), including Head Start and other early childhood providers, utilizing the prioritized risk factors and flow chart established by the State Board of Education. The MDE would offer additional guidance for implementation of joint recruitment and enrollment, and would monitor the process in local areas.
- A pilot program to serve three year old children in GSRP would be established. ISDs, in collaboration with GSCs, could apply to utilize a maximum of 10 percent of their slots to serve three year olds. The plan would require that children be served by the same teaching team (utilizing mixed-age grouping or "looping") for two years, and that the most at-risk three year olds be served, according the prioritized list. The three-year-old option would not be a certainty, but would be based on a reasonable, feasible application, and demonstrated ability to serve all of the most at-risk four year olds first.
- The committee concurred with the previous MDE recommendation to the Governor that the allocation be raised to \$3,800 per slot. Many high quality providers are "dropping out" of GSRP, as the \$3,400 amount does not cover the cost of the required quality. As early as 1995, the allocation per slot was \$3,000; there has not been an increase in the per slot allocation since 2007. Districts that had been subsidizing with general fund (GF) are not able to do so given budget realities for K-12. Considerable additional accountability and data collection will be required of ISDs; to preserve the classroom funding allowance, a slight increase is reasonable. However, given the number of eligible children, this increase should not be undertaken if it means reducing the number of children to be served.
- In Phase 3 of the Block Grant implementation and beyond, all GSRP funds, both formula and competitive, will be rolled into the block grant. ISDs will have local plans to distribute funding by subcontracts to school districts and other providers. The distribution plan will be monitored by the MDE to assure participation of both school districts and non-profit and for-profit local agencies. Local sites can apply to ISDs only if they have a GSQ rating of 3, 4 or 5 and agree to all staffing and other criteria as included in the legislation and the GSRP Implementation Manual. After sufficient initial implementation time, the GSQ rating requirement would be moved to at least 4. The goal is to assure access to high quality GSRP by the most at-risk children, according to the State Board of Education's priorities for recruitment and enrollment of eligible preschool children.

2. Eliminate Section 40 of the State School Aid Act, requiring semi-annual review of the funding formula for GSRP. Implementation of the block grant will require annual review by the MDE and its partners before submitting budget recommendations.
3. Great Start Readiness Program Competitive Grants (GSRP Competitive), Section 32d(2)(B) and 32f (FY 12, \$8,875,000 @\$3,400/slot; \$9,919,000 @\$3,800/slot)

Programs are managed through staggered three-year grants; a little more than 1/3 of the funding is due to be re-competed for FY 13. Because the re-competition process must begin early in the winter, long before any decisions can be finalized on the State School Aid bill, the Michigan Department of Education (MDE) will move forward with the re-competition process, but will notify applicants that funding may only be for one year, FY 13. Any funds not able to be utilized by competitive grantees would be moved to the formula distribution for FY 13. The remainder of the grantees in continuation status, both those due to expire at the end FY 13 and those due to expire at the end of FY 14, would be notified that in Phase 3 of the Early Childhood Block Grant implementation, all GSRP funding would be available locally and they would apply to their ISDs for GSRP funding. All GSRP competitive grantees will be required to participate in the Great Start to Quality (GSQ) (Tiered Quality Rating and Improvement System) managed by the Early Childhood Investment Corporation (ECIC). In Phase 1, ISDs served as fiscal agents for all competitive grants, but did not necessarily offer additional services. In Phase 2, ISDs must offer additional services and oversight to competitive grantees. Indicate that in Phase 3, ISDs will allocate funds directly to competitive agencies and school districts based on quality and access for vulnerable children according to the GSRP prioritization of risk factors. Include intent language indicating that those that reach a high enough level of quality will be eligible to receive regional (ISD or consortia of ISDs) funding in Phase 3. Recommended method of distribution, such as local competition or other factors to be considered, will be forwarded to the Legislature in time for inclusion in the FY 14 budget. Note: Committee recommends raising the per slot amount to \$3,800; if amount per child is increased, the total allocation for this section will be greater. Grantees are unable to provide the quality required at the amount of the allocation per slot.

4. Great Start Readiness Program Evaluation (GSRP Evaluation), Section 32d(3)(FY 12, \$300,000 General Funds, General Purpose (GF,GP))
Continue the independent evaluation at \$300,000 per year. Re-compete for a five year cycle beginning in FY 13, with new criteria reflecting the block grant. As an independent evaluation is by definition outside a block grant to service providers, this funding is not included in the block grant planning.
5. Great Start Collaboratives (GSCs), Section 32b (FY 12, \$5,900,000)
A single funding formula including all four funding streams will not be equitable or practical for FY 13. Instead, include language to indicate that a block grant will be achieved through a multi-year implementation process; GSCs will be implemented in Phase 5.
6. Great Parents, Great Start (GP,GS), Section 32j (FY 12, \$5,000,000)
A single proportionate funding formula based on each ISD's percentage of poor children in the state could be implemented for FY 13, but might be confusing if big changes are also made for the Great Start Readiness Program (GSRP). Include intent language that a block grant will be achieved through a multi-year implementation process; GP,GS will be implemented in Phase 4.
7. Bring together a committee as soon as the Governor's 2013 budget is unveiled to work on the rollout/technical assistance to ISDs and others for Phase 2 in FY 13 and preliminary planning for Phase 3 in FY 14 for all funding streams. Continue to consider other methods to distribute funds as utilized in other programs that ISDs manage, such as proportionate funding, base funding plus other factors, in order to assure equity of access to state-funded early childhood programs and services across the state by vulnerable children and families.